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Master's Thesis of Graduate School of International Studies

Shared Value in Primary Industries

– Analysis on Corporates' CSV Activities –

1차 산업에서의 CSV의 파급력:
기업의 CSV활동 분석을 통해

Thesis Submission

August 2019

Graduate School of International Studies

Seoul National University

International Commerce Major

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Abstract

Shared Value in Primary Industries

– Analysis on Corporates' CSV Activities –

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Since Porter and Kramer introduced CSV, a number of corporates implemented CSV theories into their business strategy. This measure was taken in order to respond to social pressure for corporate's social responsibility and at the same time extend their profit margin through CSV activities. In light of this social atmosphere, the study will first introduce the concept of CSR and CSV, followed by rebutting to criticisms of CSV and illustrate the difference between the two concepts. Then, the study will emphasize the importance of primary industries such as agriculture and husbandry to developing countries for economic development and propose integrating with corporates. To show the precedents of the integration between corporates and developing countries and consequences of CSV, the study will select corporates who practiced CSV activities in developing countries and carry out case analysis of each corporate. Lastly the study will assess each corporate's CSV activities at firm level using Moon et al.'s (2011) 3+1 model which is an extended version from Porter and Kramer's CSV concept.

Keywords: CSV, Creating Shared Value, International Development, International Business, CJ CheilJedang, Nestlé, Prime Industry, Agriculture, Husbandry

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I. Introduction

1. Background

Time has come that corporates now have to return certain amount of their profits to the society. More and more are voicing out that corporates should not focus on maximizing their profits anymore and rather should focus on redistribution to the society they belong to. To live up to societal expectation, a number of corporates have been adopting CSR policies which was first introduced by Howard Bowen in 1953 since 1980s. However, criticisms followed in the academics that corporate's philanthropic activities are in fact in contradiction with corporate's identity and goal; capitalism and profit maximization.

Against this backdrop, Porter and Kramer introduced CSV concept in 2011 one further developed from their 2006 version. Seeing Porter connecting social values with business values, corporates believed that they can actually do good to the society while keeping their capitalistic identity. This led many corporates to proactively adopt CSV theory since then until now. But when one taps into corporates' so-called CSV activities, one can find that corporates' so-called CSV activities are in fact not so different from former CSR activities. Adding fuel to the fire, many scholars are continuously raising their voices that CSV is not actually different from CSR for several reasons.

The study first intends to go over the history of CSR and CSV briefly. Then it will introduce mainstream criticism on CSV and rebut by revealing what really makes

CSV different from CSR in order to make a clear distinction between the two. Then the study will stress the importance of CSV in agriculture and other prime industries and why CSV can actually be a start to become a cornerstone for encouraging prime industries development then to gradual economic transformation by emphasizing the importance of primary industry to developing countries. After these arguments are justified, the study will carry out case studies of corporates related to primary industries and delve into their CSV activities in agriculture, dairy and other industries. With the data studied, the study aims to evaluate whether those CSV activities actually worked in the host countries. Moreover, corporates will be evaluated whether they really stuck to CSV concepts introduced by Porter and Kramer and extended by Moon et al. With the 3+1 Model (Moon et al, 2011).

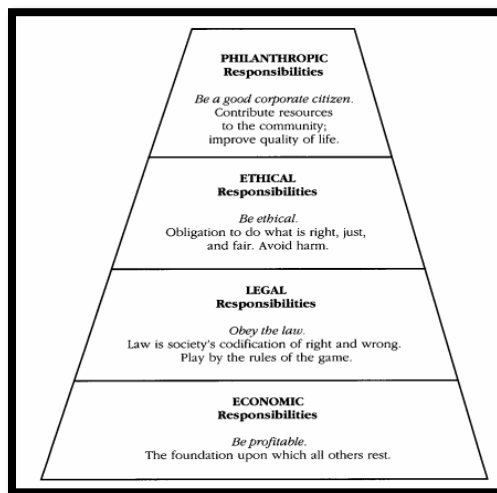
Firms must be evaluated because CSV is not just doing good to the society but also giving gains to the company as well. The study will evaluate corporate's CSV activities with three criteria; low, mid and high. Evaluation is carried out in order to make a case for other corporates who are performing CSV activity or about to start one. By referring to this study, these corporates may benchmark activities well carried out or avoid the mistakes done by predecessors and head into the right direction.

II. Literature Review

1. CSV: The Concept

1-1. CSR: The Theoretical Background

The argument that corporates should perform their social responsibility since their prosperity was possible thanks to the expense of society went on since Howard Bowen (1953). According to the CSR Pyramid (Carroll, 1991) which most corporates refers to when performing CSR, the pyramid is comprised of four criteria- economic, legal, ethical, and philanthropic responsibilities. Corporates should perform all four responsibilities starting from the bottom of the pyramid- economic, to the top- philanthropic responsibility.



Source: Carroll (1991)

[Figure 1] CSR Pyramid

Mainly in the CSR theory, the mainstream argument is the one-way direction; corporate's commitment to the society. This is due to the belief that corporate's profit maximization is possible with the sacrifice of the society. CSR in this context, is seemed as a reparation to the society given out by corporates as a result of damaging or hurting the society.

1-2. CSV: The New Concept

In 2011, Porter and Kramer pointed out that CSR is in contraction with corporate ethics which is to maximize efficiency and profit and introduces the new concept CSV (Porter and Kramer, 2011) to the world. Their study starts by stressing that capitalism is at stake and corporates should not just focus on social values. They must also think of values that could positively influence the corporate's profit and efficiency and come up with the way to put these seemingly disparate values together. In fact, Porter and Kramer had already introduced the similar concept called strategic CSR in 2006 which emphasized that corporates had to take firm competitiveness into consideration when they are performing CSR. In 2011, the two scholars coined a new concept developed from strategic CSR and called it CSV. The concept drew much attention from corporates who hoped to enhance their capitalistic values and at the same time contribute to the society. Porter goes further in their study to introduce three CSV strategies.



Source: Porter and Kramer (2011)

[Figure 2] Three levels of CSV

The study suggests that through these three strategies; recreating products and markets, redefining productivity in the value chain, enabling local cluster development, corporates can integrate social values and economic values together.

The first strategy is about keeping up with the societal needs, whether be it environmental or health or others. By endeavoring to meet societal demand, innovations occur and societal gains can be achieved not to mention corporate's profit. Automobile industries are the very industries that are meeting the social needs. They are producing variety of environment-friendly automobiles in forms of electricity and hydrogen.

For the second strategy, concerns reducing cost that could harm both the society and corporate's profit and boosting productivity of both within the value chain. The corporate can actually figure out what they can do for their society by looking into their value chain and try to find ways to reduce cost for both factors' sake. Corporate can first

recognize their competitiveness through going over value chain and can figure out what they can do for the society while increasing their competitiveness at the same time. Porter exemplified these in terms of logistics, procurement, and resource use distribution, locating value chains and employee's productivity.

In the third strategy Porter stressed connection of framework conditions such as education, transportation, gender discrimination, and poverty. Solving deficiencies of these by creating clusters and sharing values could actually give corporates an edge to increase productivity within the firm. This way, the society may benefit with enhanced infrastructure such as better public educations, transportation and others and corporates can gain productivity in return. Furthermore, CSV can actually propose a way for corporates and society to mutually benefit together. If each strategy is effectively put into practice, it can create a synergy effect and corporate may be able to operate a company with extreme efficiency.

1-3. CSV: Criticisms and Rebuttal to those claims.

Although the concept of CSV itself was a seemingly game-changing concept for corporates, criticisms followed in academic field after CSV was introduced. Crane et al. (2014) argued that CSV is unoriginal and not so different from CSR. The study further argued that CSV ignores the tensions between social and economic goals, CSV is naïve about the challenges of business compliance, and that corporations cannot solve the deep-rooted social problems and only deal with it superficially. Visser (2013) also argued that CSV is not a new concept but another form of CSR with Bottom of Pyramid included.

Beschoner (2013) adds to these CSV concept as the straw man.

However, CSV is clearly different from CSR. CSR has always been a one-direction concept; corporate's commitment to the society, not a mutual interaction. There is strategic CSR which corporates may economically gain from CSR activities but this is still a one actor concept; corporates giving and extracting from the society. CSV seeks to find a way to interact with the society and mutually benefit with gives and takes. This is meaningful because formerly, only corporates participated in these activities but now both the corporate and the society is participating to gain. This gives room for more innovation and mutual understandings that could solve the tension between corporates and society.

The argument that CSV ignores the tension between social and economic goals may partly be true. However, CSV can be a better alternative to narrow the gap between those two than CSR does. CSV activities that are performed by corporates nowadays try to balance the social and economic value. They provide education, transportation, water, jobs and many other social benefits that people can enjoy. The society in return gives labor power and enhanced productivity that could help corporates' economic gains. There may be tensions for certain social and economic goals, but there are also other areas that CSV can do to achieve both goals.

The issue between CSV and business compliance may not be an easy-to-solve problem. However, it is imperative for corporates to understand that connecting their CSV activities to business compliance may be a step forward to create new opportunity and at the same time to make a competitive edge over other firms. In this context,

corporates should be able to find their own way to comply to legal and ethical standards while creating shared values in their own business.

For the argument that corporates cannot solve the deep-rooted social problems, it is important to first note corporate's identity. Corporates are made to maximize profit through maximizing efficiency not solve deep-rooted social problems. Corporates do not have duty to solve deep-rooted social problems. They just have to connect their strengths and competitiveness to social problems that could be solved through CSV, not actively participate in solving deep-rooted social problem which is rather a government's job than corporate's.

CSV is clearly different from CSR in that it intends to interact with the society using what corporates have and what they are good at. Through CSV, chances that corporates and society will mutually understand each other will be bigger and likely to create a synergy effect where social problems are solved and corporate's profits are maximized.

1-4. The extended model of initial CSV Theory

To better suit to firm's business strategy, Moon et al. (2011) added one more strategy to Porter's and introduced 3+1 model. The study applied three strategies into the diamond model and added defining core competence strategy to firm strategy, structure and rivalry.

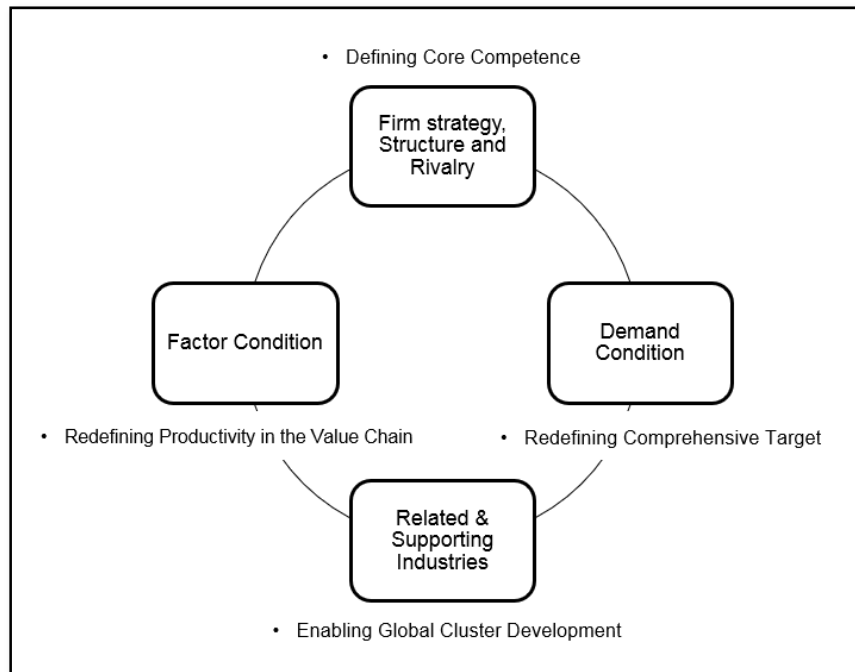
First of all, the study coupled Porter's redefining productivity in the value chain

with factor condition. It believed internal costs can be inflicted by externalities. Therefore, managing factor conditions by considering societal benefits such as environment and linking it with corporate's factor condition can be a wise way to implement CSV concept in the value chain.

Reconceiving products and markets strategy was coupled with demand conditions. This does not just mean meeting needs in the advanced economies. It has larger coverage that includes disadvantaged groups and developing countries. Corporates may look to extend their profit margin by identifying the needs of these groups and providing them by recreating products and market strategies.

Moon et al (2011) also expands Porter's local cluster into global cluster. The study stress that supporting conditions must be concentrated geographically but does not have to be domestic. If there is a greater advantage by going abroad, the corporate must not hesitate to make it global. In this way supporting conditions' productivity may be improved.

Lastly, for a company to successfully operate, rivalry must be concerned in order to meet societal needs better than the competitors (Moon et al. 2011). Defeating the competitors start with defining one's own core competence. This complements Porter's three initial CSV concept and gives clearer picture to corporates on how to apply each CSV strategies according to the diamond model.



Source: Moon et al. (2011)

[Figure 3] Visualization of 3+1 strategy in diamond model

2 Primary Industries in Developing Countries

2-1. The Importance of Primary Industries

For developing countries, lack of technology and finance prevents them from engaging in secondary and third industries. Also, majority of 800 million people suffering from hunger lives in developing countries (United Nations, 2015). For these nations, food security is vital and a necessity to sustain their daily lives (Santangelo, 2018). In this context, primary industries that include agriculture, dairies, fishing are of

great importance to these people. These industries can solve people's starvation and at the same time set a cornerstone for the country to enhance agricultural productivity. This is crucial for developing countries to prepare for economic transformation because the core social problems; starvation and health, must be solved to secure enough number and quality workforce.

Furthermore, history shows how important primary industries are. Many of now-developed countries have shown historical patterns of development starting from these primary industries including Japan and countries in Europe (Akamatsu, 1962). Moreover, since most developing countries are likely to be labor-intensive rather than capital-intensive, primary industries can be the easiest and best way for developing nations to solve food deficiency and health problems.

2-2. Possible gains from integration with corporates through CSV

Prime industries are easily accessible as long as there are enough resources and people to work on. However, enhancing productivity is more desirable since it can yield more products that could directly lead to more export and higher profits. Keijiro and Kaliappa (2008) also argued that exploring the possibilities of new technology and better management of practices at farm level is desirable. Although the book is limited to address agricultural sectors but this could be applied to all primary industries since they have almost the same characteristics.

In an attempt to discover new technology to assist primary industries, developing countries have mainly two choices; carry out R&D by themselves, get an

assistance from advanced countries or corporates. Among two choices, the latter seems obviously more desirable because there are already more advanced technologies for these industries and accepting those technologies can induce reciprocal benefits for both parties.

On developing nations' perspective, they have vast land for farming, ranching, forestry. Moreover, developing nations usually have tremendous amount of natural resources or have enough space to adopt one. Adding to this factor, they have a large workforce who are ready to work at relatively lower cost than advanced countries. The shortcomings of developing countries are that they lack infrastructures which deprives country of its readiness to start primary industries.

On the contrary, corporates have superior technology that could most efficiently produce yields and maximize profits. However, as more advanced countries focus on value-added products, these corporates sometimes do not have enough land for farming. Adding to this, corporates cannot avoid the cost incurred by relatively higher labor cost in advanced countries. If corporates could find a venue that could afford cheaper labor forces and bigger lands, they could extend their profit margin. In this context, it gives incentive for corporates to look for developing countries that would welcome them. Costs arising from completing necessary infrastructures such as education, water, transportation may be humongous at initial stage. However, once the sustainability of these primary industries is achieved in developing countries, corporates may see unprecedented profits.

The benefits both parties gained do not just end in primary industries. As more

people are educated and infrastructures improve, clusters will occur using those produces into processed and manufactured products. For example, a country that started with growing cocoa may evolve into chocolate manufacturing country and make more value-added products at cheaper cost. This leap forward will not only benefit host countries' economic growth but also corporates cost cutting. Not surprisingly, many corporates are already applying their own CSV strategies to their operation in developing countries.

III. Methodology

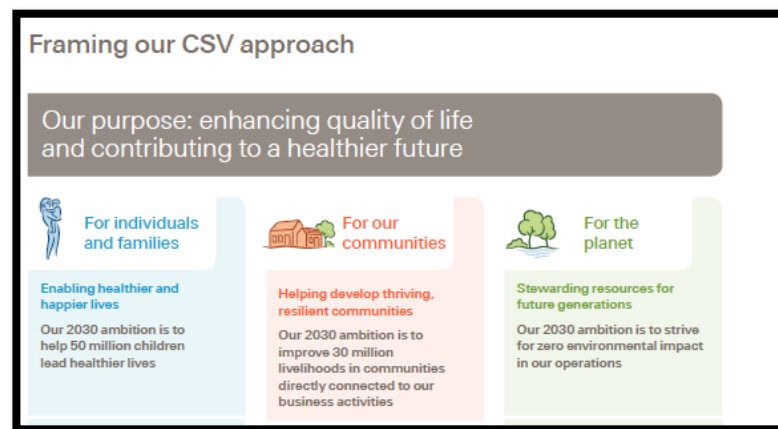
1. Corporate Selection

The study now intends to choose certain corporates that are engaged in primary industries and performing CSV policies in the host countries. After the selection, their CSV activities will be reviewed in detail in the case analysis of each corporate.

1-1. Nestlé

Nestlé S.A is an MNC based in Switzerland and is a leader of world food company with revenue of CHF 91.4 billion (Nestlé, 2018). Nestlé's products mainly include dairy, coffee, bottled water, baby food and frozen food (Nestlé, 2018). As they had always dominated food industry, social pressures of consumer activism and even faced boycott from consumers in the late 1970s. Since then, Nestlé's stakeholders requested the company should engage in more CSR activities. (Sojamo and Larson, 2012) Since then, Nestlé actively accepted the idea and initiated activities such as extended

producer responsibility program (As You Sow, 2011) With this history, it is no strange to see that Nestlé is a pioneer in CSV activities in developing countries right after Porter's introduction of shared values. The company did not just simply implemented variety of disconnected and unrelated CSV programs. Rather, Nestlé has endeavored themselves to coin their own CSV approach at individual, community, and planet level.



Source: Nestlé. (2017)

[Figure 4] Nestlé's framework for CSV activities

Based on these frameworks, each of Nestlé's sub-brands initiate their own CSV objectives according to their business and performs CSV activities. The corporate also publishes annual sustainability report which includes their CSV activities in multiple developing countries.

For the first part- for individuals and families, Nestlé divided it into three parts.

The first part is about offering healthier and tastier choices to individuals and families. The company has been putting an enormous effort on increasing nutrition in its food and beverages while decreasing sugar, sodium and saturated fat. Also, the company tried to increase the amount of vegetable, nut, fiber-rich grains in its products and remove artificial colorings of products that might make the food look tastier while wielding bad influence to people's health. The second part of Nestlé 's individuals and families concerns inspiring people to lead a healthy life. The company tries to include every information on nutrition in their food packages and include description on the amount of nutrition in the food when it is selling the product online. Moreover, the company offers desirable portion of its food pack to prevent people from overeating and imbalance in nutrition. It also encourages healthy cooking for parents by opening online cooking classes. Also, the corporate runs a campaign such as Choose Water campaign to help people acknowledge the importance of water and stay hydrated. In the last part of individuals and families, Nestlé involves cutting-edge science technology and R&D to understand human body. With this research, the company provides information on prevention of obesity for families. Diabetes is also a main threat to people's life these days. Nestlé invests huge amount of money in biomedical science to help treat diabetes and provide knowledge on food diet online to control diabetes.

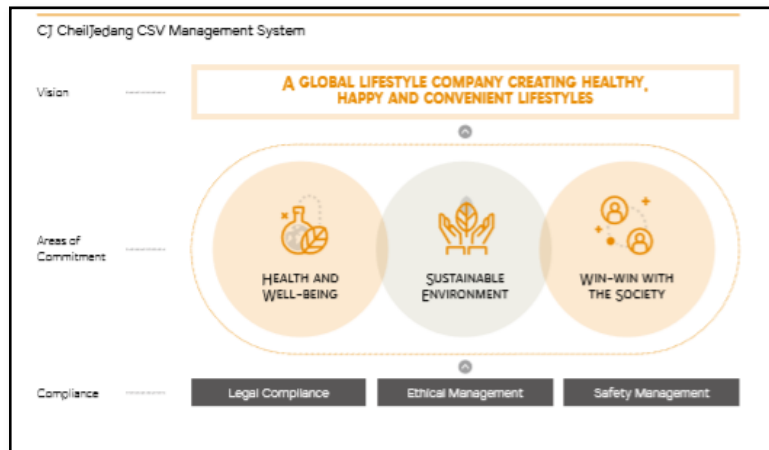
The second part, Nestlé also frame their CSV for the community it is in.

First, Nestlé tries to enhance rural life development, as other agricultural and food manufacturers do. The company tries to improve farm economics for farmers and provide them with improved food availability and diversified diet. Nestlé also initiated Nestlé Cocoa Plan with cocoa farmers to improve the quality of cocoa and transfer know-hows on how to produce high-quality cocoa. Nestlé also embraces human rights by enhancing worker's livelihood who engage in agriculture and provide effective grievance mechanisms to employees. Nestlé goes further to handle gender balance within their supply chain and work force to promote decent employment and diversity.

Nestlé's last framework to implement their CSV project is the planet. As the company also manufactures bottled-water and since water is a quintessential part of its business- agriculture, Nestlé raise many campaigns for water conservation. Within the company, especially in agriculture, it tries to achieve optimal water efficiency for their sustainability. Besides saving and efficient use of water, Nestlé actively engage in climate policy to help the world prevent extreme weather conditions. Lastly, Nestlé commits itself to environment preservation. It works hard to improve their packaging to minimize the harm to the environment. It also joined Against the Food Waste initiative to reduce food waste. Deforestation, ocean pollution depleted soil are all the challenges Nestlé is trying to address in their CSV framework as well.

1-2. CJ CheilJedang

CJ CheilJedang is one of the biggest food manufacturing and agriculture companies based in Korea. The company is also known for its CSV activities domestic and abroad. In 2013 CJ CheilJedang internally reshaped its management structure using Porter's CSV theories. The management team operates under CSV-linked visions, core shared value, and compliance. In the vision part, CJ Cheiljedang did not limit itself to domestic community. Its aim was to go global and make the global community healthy and happy through CSV. With this vision the company created three areas of commitment which is health and well-being, sustainable environment, and win-win with the society. As a food company, these three are the core concepts it has to pay attention to in order to secure the company's sustainability. Agriculture is directly related to people's health since people eat grains and produces, and to secure health of people, preserving environment is also a key to farm healthy grains. The company went further to come up with their own know-how of processing core shared values using their restructure.



Source: CJ. (2017)

[Figure 5] CJ CheilJedang's CSV Management system

After the restructure, CJ CheilJedang first began their CSV activities with domestic SMEs. The company supported SMEs with R&D technology, superior equipment, manpower to maximize not just SME's but CJ CheilJedang's own efficiency within the value chain.

Technical Assistance		No. of Partner Companies
No. of cases	Cost (\$)	
125	92 Million	44

Source: CJ inclusive growth portal. (2014)

[Table 1] CJ CheilJedang's CSV Management structure

Table 1 is CJ CheilJedang's domestic technical assistance to SMEs in Korea. This resulted in variety forms of food including noodles, rice cakes, tofu, kimchi, pastes. After seeing it work, the corporate began to look around the world to find a suitable place to initiate global clusters through applying CSV management.

2. Evaluation

The importance of evaluation cannot be stressed too much because corporates actually have to know whether they are doing what they are doing right. The evaluation of CSV will be carried out using 3+1model by Moon et al. (2011). The model was chosen since it is more appropriate to assess CSV activities at firm level. Each element of CSV concepts will be assessed into three levels; low, mid and high.

Theory	Corporates		
	Low	Mid	High
<i>Moon et al.'s Extension (2011)</i>			
- Redefining Productivity in the Value Chain			
- Enabling Local (International) Cluster Development			
- Redefining Comprehensive Targets			
- Defining Core Competence			

Source: Moon et al. (2011)

[Figure 6] Evaluation Tool using 3+1 Model

Each corporate's CSV activities will be assessed with this model with available data sources. Redefining productivity in the value chain will be based on how efficient a corporate's value chain has become after their CSV activities in host countries. This will be assessed using Porter's value chain model which is comprised of primary activities and support activities such as inbound & outbound logistics, operation, sales and marketing, firm infrastructure, technology development, human resources management and procurement. Also, it will look into how it was related to societal needs such as environment issues or health issues on the local people's side and productivity on the corporate's side.

Enabling local (international) cluster development will be based on whether the corporate succeeded in making the whole region as a new base for their production activity. As Porter and Kramer (2011) pointed out, outsourcing to disparate regions and locations incur transaction costs and inefficiency. Establishing and developing this industrial cluster may help create synergy effect for firm's operation, innovation and productivity (Moon et al. 2011)- from sowing seeds to packing the final products in this case. In the study, forming and developing international cluster will be emphasized rather than local clusters since corporates under case study will be operating in developing countries to create shared value.

On redefining comprehensive targets, the study will look into how companies reacted to societal needs and made it into new opportunity. It will not just look at the change in final products of the company but the process of corporate's CSV on how they optimized their business by giving appropriate incentives and infrastructure to the developing nations.

Last but not least, defining core competence will be assessed through corporates' CSV or sustainability objectives, their process of initiating CSV policies, and their actual activity in the host countries. Core competence means what corporates biggest strength- what they are good at and what they can do best. The study will see how corporate used their strength to perform in the host countries.

IV. Case Analysis

1. Nestlé in India

1-1. Background

Nestlé's CSV activity in Moga, India is the most salient example of agricultural CSV adopted by corporates. Although there was no CSV theory in the late 1950s, the company's business and development in Moga later received much attention and many awards it received proves that it is the first CSV plan ever initiated and executed in the world. At the time of installment, Nestlé did not know that it would be the first successful CSV and become a pioneer. Installing milk factory in Moga, capital of the Punjab state, was in 1959, long before CSV came out in the world.

Since the city was a capital, Nestlé thought the company had a good access to railways for product transport., but later found out that railways were impractical for business purposes and also, roads are almost inaccessible during the monsoon season. There existed almost no irrigation system although the region was a farming village. Wells were the main source of water supply but they were not enough even for the villagers to use for farming and living. Their farming depended on rainfall and as there was no chemical fertilizers, miserable amount of wheats harvested was evident. Apart from water and infrastructure, Nestlé ran into another problem, getting enough amount of milk. Majority of farmers had just one or two milk cows whose milk production was just enough for one household use. Furthermore, due to poor agriculture, those cows

were fed poorly and quality of milk was also poor. The corporate also faced technical problem. In Moga, dairy as a farming was unknown to local people. If it was farming, local people would have some basic knowledge of how to cultivate seeds. However, Nestlé had to teach everything to workers from scratch. What complicated the job training issue was local people's distrust towards new comer. Lastly sources of milk mattered. In India, milk was produced by buffalo not milk cows and the breed contained two to three times that of milk cows.

Thanks to the timely entrance to India, the situation got better for Nestlé. The government-led green revolution gave local farmers higher yields of corn and wheat. Irrigation system for farming got better during the revolution and people's real income grew. Spurred by the movement, Nestlé started their development and CSV activities as their first milk plant was installed.

1-2. CSV Activities

1-2-1. Milk Procurement and Alleviating Poverty

In light of this challenge, Nestlé did not rush into making dairy farms. The company first took an innovative measure by introducing milk cows as cash crops to local farmers. Since the population is dense in the area, having just one or two milk cows per household could be a great help for Nestlé to secure milk quantity for the time being.

Then Nestlé encouraged and accompanied the government-led Operation Flood

which the aim was to commercialize the production of milk. Nestlé also initiated its own project called White Revolution which encouraged people to enter dairy farming and find alternatives besides corn and wheat farming. Slowly, Nestlé made people familiar to dairy farming and organized bigger size of dairy farming as time went by.

Finally, Nestlé 's effort bore fruit after a decade of hard work. From 1970, India, especially Moga's milk production began to grow significantly. This in turn secured Nestlé 's milk supply and efficient production of dairy products within the country. The evolution of milk production that contains information of number of suppliers, number of dairy farms, total amount of milk purchased by Nestlé from 1962 to 2012 is shown in Table 2 below.

	1962	1972	1982	1992	2012
<i>Direct Suppliers</i>	4,460	18,413	34,238	46,308	62,183
<i>Milk routes</i>	3	7	13	20	31
<i>Village Dairies</i>	63	230	421	650	1,483
<i>Milk purchased (t)</i>	2,054	26,660	42,050	89,872	236,472
<i>% of total purchase</i>	100%	100%	73%	85.5%	99.59%
<i>Farmer's cooperatives</i>	-	-	40	15	-
<i>Milk purchased (t)</i>	-	-	2,380	841	

<i>% of total purchase</i>	-	-	4%	0.8%	
<i>Indirect Purchases</i>					
<i>(t)</i>			13,260	14,401	979
<i>% of total purchase</i>	-	-	23%	13.7%	0.41%
<i>Total Purchased (t)</i>	2,054	26,660	57,690	105,114	237,451

Source: Nestle records

[Table 2] Nestle's Milk Supply Pattern from 1962 to 2012

By 2012, the amount of milk purchased within Moga region was more than 100 times larger than initial stage. The biggest beneficiary of this milk boom was small and marginal farmers whose life were miserable before Nestlé entered India.

. Local residents in Moga opened their eyes to a new business which changed their life thanks to Nestlé's commitment. Table 3 is a data in 1984 comparing the income of crop farmers and dairy farmers. For marginal farmers, it can be seen that the average income of dairy farmers was about 2.8 times higher than crop farming counterparts. For small farmers, their average income is slightly less than crop farmers. These groups constituted about 60% area's population at the time the business started. The financial benefit they have gain compared to crop farmers can be compared through Table 3 below.

<i>Farmers</i>		<i>Average Annual Income (INR)</i>	
<i>Type</i>	Percentage	Crops	Milk
<i>Marginal</i>	19.3	3,500	9,800
<i>Small</i>	39.4	13,000	11,000
<i>Large</i>	28.4	25,000	12,000
<i>Very Large</i>	12.9	45,000	5,800
<i>Total</i>	100	86,500	38,600

Source: Biswas et al. (2013)

[Table 3] Nestlé's Milk Supply Pattern from 1962 to 2012

These group of people were usually landless laborers with just one or two buffalos or farmers whose land was no bigger than 0.8ha to ha. These group constituted about 78% of Nestlé's milk supply and constituted 43% of total procurement. Thanks to Nestlé, they found a way to obtain raised income through trade with Nestlé and as marginalized people's income rose, the area's poverty rate

1-2-2. Animal health check-ups and Ancillary Firms

Leaving the responsibility of raising buffalos and cows solely to farmers may not be a desirable way especially if it is a developing country. In Moga, people still died from hunger and people were busy looking over their own health, leaving their animals'

health on the sideline. Nestlé was also aware of these circumstances. Therefore, the company came up with new campaign.

Nestlé's Agricultural Extension Service was initiated to assist dairy farmers. The program included bringing in state-of-the-art veterinary, animal husbandry, and agricultural consultation. Nestlé sent in both HQ veterinarian experts and experts who graduated from local universities to help check the health of buffalos. Moreover, together with state's Agricultural Husbandry Department, Nestlé organized special session for local dairy farmers to keep up with new dairy technique. The company also had more than 150 audio-visual films that could help educate farmers to handle their livestock in the case of emergency or assisting the delivery. These educational films were exceptionally helpful to local farmers because most rural farmers at the moment were illiterate. Visual education was easy to learn and helped dairy farmer broaden their knowledge base.

Nestlé's dairy business in Moga also had a spill-over effect to other sectors. Aside from paying tax, Nestlé installed ancillary firms that manufactured non-dairy products. With purchases of local ingredients and raw materials to make products within the country, Nestlé just needed 0.03% of imports to manufacture their products in 1982. The salient example of this activity is the increase in chicory farmers. From 2002 to 2012, the number of chicory farmers benefited from Nestlé's R&D increased from 1,000 to 7,500. The production of chicory increased by six times. Besides chicory, there are many local ingredients such as onion, sugar, coffee, spices that are taking advantage of Nestlé's

ancillary firms.

1-2-3. Woman Empowerment

Even until now, India suffers from gender inequality issue. This is due to a country's labor-intensive characteristics along with religion. With low social status, women had to work from dawn till dusk without rest. It was not so different in animal husbandry. According to a survey conducted by Nestlé in 2007, 90 million people were engaged in animal husbandry in India. Among them, 75 million people were women. This meant these 75 million women milked, fed, foddered, watered, and did every other task on husbandry. While men were mostly in the farm doing harsh labors, husbandry was mostly women's job.

Seeing the situation, Nestlé felt the need to educate women in order to increase both the quantity and quality of milk and thus its value chain. As most of Indian women were likely to be illiterate and uneducated, Nestlé focused on empowering women by first starting to teach them acquire literacy. Through this the company believed dairy farming could be a stable supply base. The table below shows the literacy rate of Punjab people from 1971 to 2011. Because of the education provided by Nestlé, more and more women are actually getting a job at Nestlé's milk plant and the increase is sharper than their male counterparts. Table 4 shows the literacy rate

CENSUS YEAR	PUNJAB LITERACY RATE (%)
1981	39.7
1991	50.4
2001	63.4
2011	71.3

Source: Shetty and Shetty. (2014)

[Table 4] Punjab's women literacy rate from 1981 to 2011

As of 2012, Nestlé estimates that there are about 5,6000 female buffalo and cow breeders around Moga. The literacy and education these women received did not just help increase milk productivity for Nestlé, but it also helped women's family. With education and higher income, women began to get more actively involved in family's nutrition and children's education. Nestlé's women empowerment did not just help women to be literate. The education also helped enhancing the literacy of the following generation including girls. Then the need for Nestlé to hold literacy section with women in Moga will gradually decrease and disappear as mothers will send their daughters to school at any cost.

1-2-4. Water, Hygiene and Sanitation

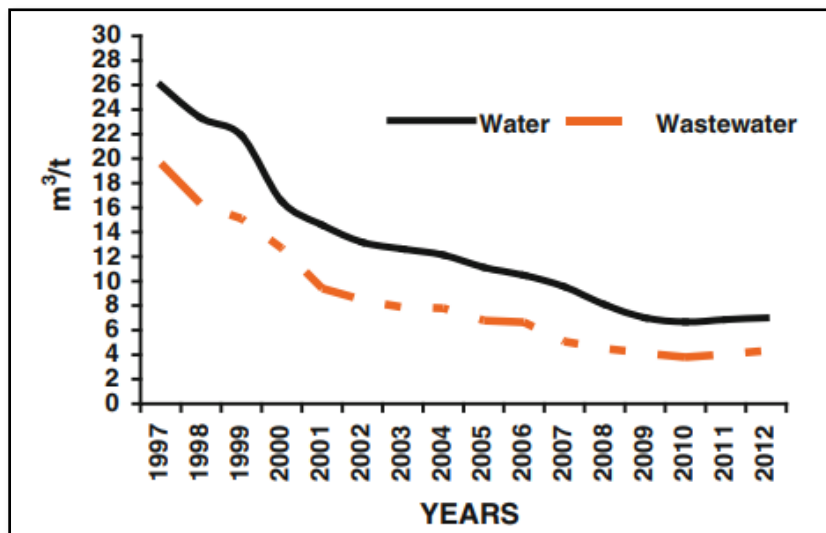
Water issue was one of the priorities to sustain Nestlé's business in Moga. Even

in the richest village of the city, hand pumps were rear and wells were contaminated by effluents. At first, most villages objected to Nestlé's suggestion on improving water pumping foundation. But as trust between the company and local people consolidated, water foundations were installed and it was embraced because the local residents actually saw a tangible improvement in quality of water and health. In 1978, seven out of nine villages had access to clean water thanks to Nestlé's effort to enhance health of local people. The company also drilled water pipes to elementary schools from 1990 to provide clean water to children. As a result, 116 schools and 40,000 students and staffs had access to clean drinking water by 2012. Nestlé's water plan was not limited to drinking purposes. Nestlé initiated a irrigation system plan by installing 357 tubewells power-driven pumps in 1968. After the installment yield of crops increased by 50%.

Another mission Nestlé thought as important in milk supply chain was people's awareness in health and hygiene. At the initial stage of business in Moga, dairy and crop farmers indiscriminately used DDT and pesticides, thinking of the more, the better. Some even sprayed those to cows. The company thought this had to stop and raise their awareness on hygiene. Therefore, Nestlé sent company officers to visit each household and to give families and suppliers advice on adopting good habits and importance of clean living environment. At the factory and plant level, Nestlé introduced new standards on hygiene to workers. Unfortunately, hygiene issue is still an ongoing problem that Nestlé has to address especially in installing public toilets.

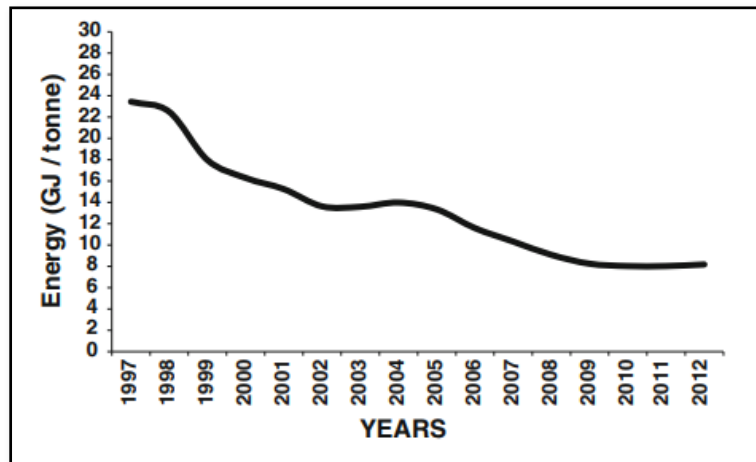
1-2-5. Environment Conservation

As the size of industry in Moga became larger and larger by year, there were unseen amount of waste and usage of natural resources that may damage the environment. Since 1997, Nestlé had succeeded in reducing water consumption, wastewater production, energy required to manufacture, and CO2 emissions.



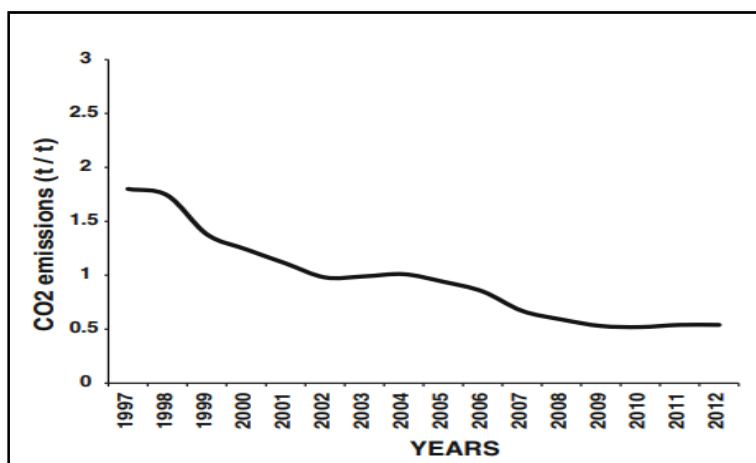
Source: Nestle records

[Figure 7] Nestlé's water usage and waste water production



Source: Nestlé records

[Figure 8] Nestlé's energy usage



Source: Nestle records

[Figure 9] Nestlé's CO2 emissions

According to Figure 7, water consumption declined by more than 70%. This data includes not just Moga but all factories that are under operation in India. The company also succeeded in reducing wastewater production by 73%. Figure 8 which shows Nestlé's energy efficiency throughout 15 years shows that energy required to produce each ton of product decreased by 65% in India. This was done through replacement of old and inefficient machines and recycling the heat energy generated from processing waste. This technology and new equipment helped the company reduce its CO₂ gas emission as well.

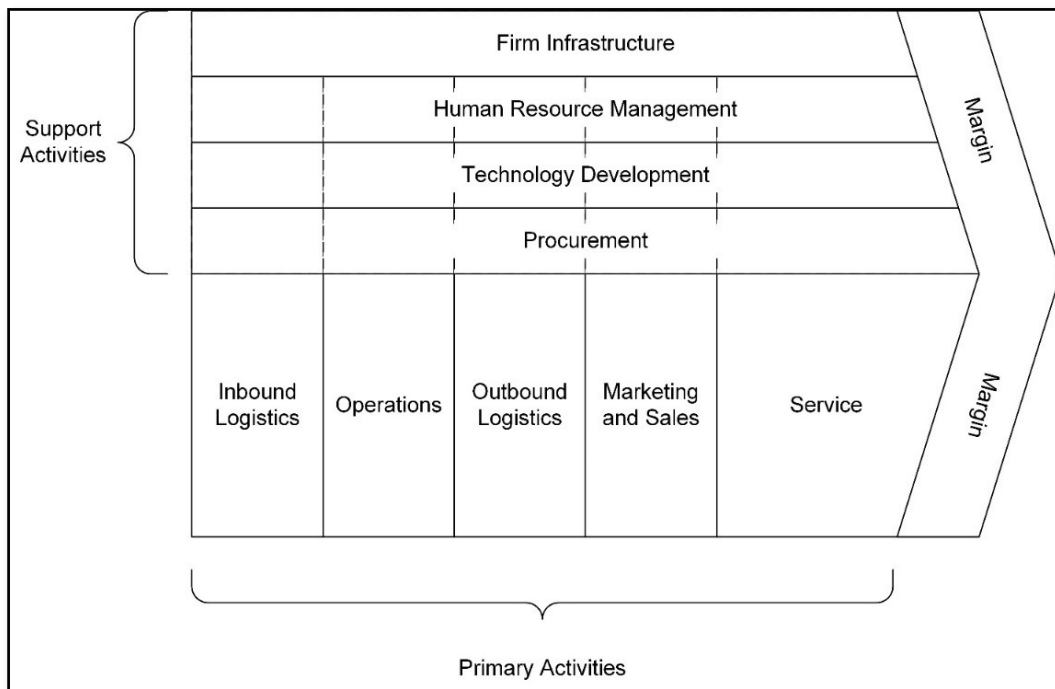
1-3. Evaluation

Without realizing what the company was implementing in Moga, India was actually CSV policies that it is heralding, Nestlé contributed social value enhancement all around the region. It did not just build a new factory and collected milk from local people, but intervened local people's daily life and changed every aspect of their life from health, employment, education, environment, finance, and lifestyle.

However, it must be addressed what Nestlé has gained through their CSV projects in Moga, India. Using Moon et al.'s 3+1 model, Nestlé's CSV activities will be evaluated under four criteria; redefining productivity in the value chain, enabling local (international) cluster development, redefining comprehensive targets, defining core competence.

1-3-1. Redefining Productivity in the Value Chain

To look at the impact on value chain more clearly, Porter's value chain model is shown in Figure 10 below.



Source: Porter (1985)

[Figure 10] Porter's Value Chain Model

Almost all parts of Nestlé's value chain were improved since it entered into business in India. For inbound and outbound logistics, Nestlé installed their plants and

factories right next to dairy farms which lowered the cost of transportation and cost of milk. Those products made are delivered all across India and neighboring countries. Shipping costs can also be saved in this process.

For operation, dairy factories have come to obtain huge workforces who now have enough knowledge and literacy to manufacture products with cheaper costs. Moreover, along with dairy factories, ancillary firms came in and adding the productivity to the company thanks to CSV activities. For the last five decades since the company came to Moga, Nestlé's education and job training is helping making food manufacturing more productive by gradually reducing time for the company to educate women and children. Moreover, effort to preserve environment led Nestlé to change old and inefficient machines and equipment in India. The cutting-edge technology always eases the level of work and saves cost.

Indians will not hesitate to buy Nestle dairy products in their country since price of its products will be relatively cheaper with quality compared to other domestic or international corporates. It has gained good reputation by finding ways to survive and grow together with local farmers and community.

Support activities also saw higher productivity since 1961. For human resource management, there are experts coming from India to give an advice back to the company with new technology. Also, relatively cheaper labor cost in India can save company's production cost by concentrating its production business in India. In fact, there are as many as eight factories in India owned and operated by Nestlé.

New breeds of Indian buffalo led Nestlé to research more about the optimal way of breeding different cow species and improving the quality of milk or optimizing it. This new experience spurred Nestlé to come up with localized product that could suit people's appetite. Study on different soil and water quality also helped them adjust faster to other developing countries with similar climate conditions such as Vietnam.

For procurement, it was observed that with dairy farming assistance, medical checkups, job training and several other activities, the amount of milk procurement over the last five decades has increased by more than 100 times. After factoring in all these elements, the study concluded that Nestlé has redefined its productivity in value chain perfectly through their CSV operation in Moga, India.

1-3-2. Enabling Local (International) Cluster Development

Starting with Moga, Punjab, Nestlé now has eight factories in India. Half of them are concentrated in the northern side and the other half is concentrated in south-western part of India. For the last five decades, the company had put hard work in obtaining good quality raw materials, mainly milk. The amount of raw materials available for food manufacturing got bigger and bigger and as a result, more factories were established near the original site.

In addition to the company's initial objective milk, several other ancillary firms came in and developed their own cluster such as chicory, onion, spices, and wheat. This

was only possible because the company tried to meet social needs by teaching them how to breed, farm and manage.

For the last 50 years clusters grew in their size and are standing firm as a prime industry of the region. Therefore, the study confirmed that Nestlé did enable international cluster development not just in Moga but the whole country. The level of cluster development is high and this could be a model case for those who wish to establish a robust and sustainable international cluster.

1-3-3. Redefining Comprehensive Targets

Nestlé's business could succeed in Moga because the company found out what the local people were missing. The company knew clean water and efficient irrigation was needed to increase the amount of usable resources, it also knew women needed empowerment to get fresher milk, and the company had to find a way to come up with dairy products using local breeds of buffalos. It also sent experts and officers to advise on how to breed a cow to make the business sustainable.

The important point here is that unlike other corporates who are currently performing CSV activities in many countries, Nestlé discovered unmet social needs for the local people which in turn helped the business become more profitable with better quality of milk. Based on these analyses the study assessed Nestlé had achieved high level of redefining comprehensive targets.

1-3-4. Defining Core Competence

It is actually untraceable whether Nestlé knew their core competence when they entered India. The report from Nestlé itself said it was risking failure as well. It cannot be confirmed that Nestlé knew their core competence and initiated its CSV plans based on it. However, its CSV activities hinted about this to some extent.

As Nestlé was operating in Moga, the company utilized hundreds of audio-visual films for job training purposes. Nestlé had impeccable degree of information as to how dairy farmers can breed cows.

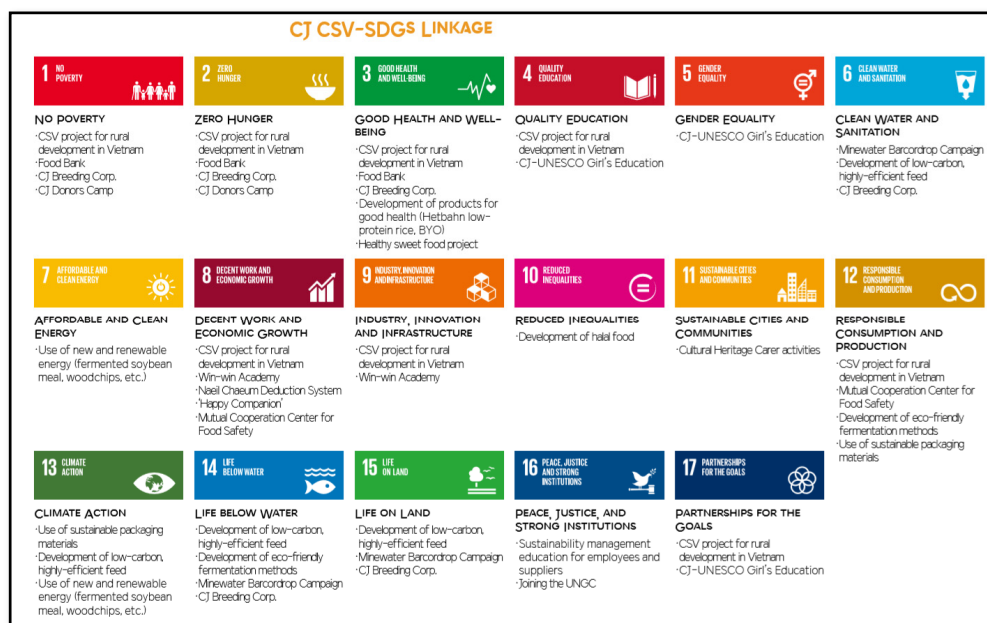
But as Nestlé had difficulties in inventing new types of milk using buffalos' and took some time as well as two dozen year that the region really started to develop, It is unsure that Nestlé had enough awareness of its core competence before entering India. Therefore, the study assessed Nestlé's defining core competence is medium. However, it should be noted that Nestlé now initiates its CSV initiatives with solid framework as shown in Figure 4.

2. CJ CheilJedang in Vietnam

2-1 Background

As the cost of farming and labor increased and land available for farming decreased in Korea, the firm began to look for global venue for farming. It did not mean

that CJ CheilJedang was quitting all farming activities in Korea but it needed cheaper labor and larger area for farming their produces. After taking labor cost, host country's trade barrier, climates and other various factors, CJ CheilJedang chose Vietnam as their first venue for farming. The corporate believed Vietnam would provide quality grains for the company with cheap cost. The importance of Vietnam to CJ CheilJedang can be seen by Figure 7.



Source: CJ. (2017)

[Figure 10] CJ CSV-SDGs Linkage

In 8 out of 17 SDGs, CheilJedang emphasized their CSV activities in Vietnam.

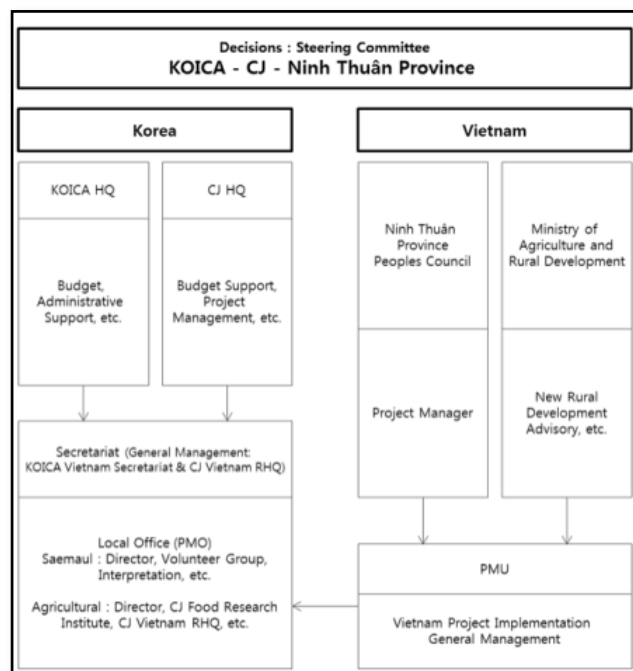
The eight SDGs include No Poverty, Zero Hunger, Good Health and Well-being, Quality Education, Decent Work and Economic Growth, Industry, Innovation and Infrastructure, Responsible Consumption and Production, and Partnerships for the Goals. This showed how much the company cared about their business in Vietnam. In 2013, CJ CheilJedang decided to farm in Vietnam and started CSV activities along with their business.

Before entering Vietnam, CJ group found out that 90 percent of Vietnamese people who live in rural areas live with less than 2 dollars a day and are suffering from extreme poverty (Poverty and Inequality Database, 2014). To help solve the poverty of Vietnamese people and expand its business at the same time, CJ CheilJedang chose Ninh Thuan province which is not so far from Ho Chi Min, capital city of Vietnam.

The firm saw that the area was appropriate for cultivating red chili pepper. This ingredient is essential to Korean people's food culture. Jae-Woon Kim later revealed in his lecture at School of Impact Business the motivation to look for new market. CJ CheilJedang was that in order to provide red pepper paste to domestic market with affordable price, the company had to use 50% of chili peppers from abroad. At the time Korea's red chili industry was highly dependent on China and it had too much risks for sustainability. To handle this risk, CJ CheilJedang had to secure quality red chili pepper, it decided to start red chili pepper farming in Ninh Thuan province.

Besides firm's monetary profit, CJ CheilJedang initiated CSV project which the goal was to raise the incomes of individual farmers and make Ninh Thuan a self-sustainable province that can survive without external assistance (Jo et al. 2018).

When they entered Vietnam, CJ CheilJedang partnered with KOICA, Youngnam university, and K-Water to set up various programs for local people besides farming and training people. Figure 8 is the decision-making structure of CSV project in Vietnam.



Source: KOICA (2014)

[Figure 8] CJ-KOICA CSV Project Committee

As shown in Figure 8, HQs of both KOICA and CJ CheilJedang took part in budget supports and general management. They were in charge of overseeing the whole project. On the Vietnamese side, Ninh Thuan Province Peoples Council and Vietnamese

government took part in executing the project oversaw and supported by Korean HQs to develop Ninh Thuan Province into red chili pepper industry clusters that could self-sustain in the near future.

Since Ninh Thuan is a province and is too large to start the business, CJ CheilJedang had to narrow down the region that it would start its red chili pepper farming. After the research, the firm found that Tam Ngan 2 village in south eastern part of Ninh Thuanh province was appropriate to start chili farming. People of Tam Ngan was mostly minority ethnic groups who were named Rac Lay, Khin and Kho. At that time those two ethnic groups were living on corn and cassava farming. But farming those crops were failing and they could make no more than 20 dollars monthly and could not make living without rice subsidy provided by the Vietnamese government. Table 2 below shows the basic information about residents of Tam Ngan 2 village.

Number of households	245 families
Population	1,149
Race	Kho 64.03%, Rac Lay 8.8%, Khin 16.96%, others 10.21%
Religion	Christian 49%, Catholic 3%, Buddhist 2%, Others 18%
Principal Crops	Rice, Corn, Cassava

Source: Internal Information from Lam Son Commune (2014)

[Table 2] Basic Information of Tam Ngan 2 Village.

Among 245 families and 1,149 people in Tam Ngan 2 village, 104 household, equivalent to 535 people were poor. The poverty rate of Tam Ngan village 2 was 42.4% and it was one of the highest among 10 villages in Lam Son Commune.

2-2. CSV Activities

2-2-1. R&D and Job Training

In 2014, CJ CheilJedang entered into red chili pepper farming in Tam Ngan Village 2. Local people stopped growing corns and cassavas. Instead, they started farming red chili peppers seeds provided by CheilJedang. CheilJedang's economic objective was to enhance economic productivity and achieve source competence by successfully harvesting red chili pepper. However, their commitment to bestow economic autonomy of Tam Ngan 2 village people.

To succeed their business and develop the village, CheilJedang put aside certain area of land and carried out diversification and quality enhancement of red chili pepper cultivation methodology. In this way the corporate believed it can obtain more quality seeds that could grow well in Vietnamese climate. As better-quality red chili pepper seeds were developed, it was given to farmers and they would cultivate those seeds.

R&D and continuous effort to improve farming method was an important task

for CJ CheilJedang. In order to make the village autonomous and self-sustainable, the corporate had to study which technologies would be most effective for local people and how to transfer those technologies.

Aside from R&D of enhanced quality of red chili pepper, CheilJedang employees monitored Tam Ngan 2 farmers' farming skills and analyzed what they lack and what they needed to learn in order to work more productively. This led to build a curriculum for villagers' job training. The program included not just field work, but also trip to more advanced farms in other regions of Vietnam and Korea.

2-2-2. Securing red chili pepper markets

Farmers may have worried about who will be their customers and what if they cannot sell their produces to anybody. It is because Korea's chili pepper tasted different from those of Vietnam's and there may not be a suitable market for these kinds of red chili pepper. At the initial stage of the project, CJ CheilJedang promised the farmers that all harvested red chili peppers will be bought by the company.

Once purchase of red chili peppers were made, CJ CheilJedang did not just buy it for their own food manufacturing. CheilJedang opened a new market to commercialize red chili pepper to other regions in Vietnam. It was an attempt to make Tam Ngan 2 a self-sustainable village with Korean red chili pepper even after CJ CheilJedang relocates their value chain for red chili peppers. If new markets open for local people of Tam Ngan

2 village, they would be able to continue their red chili farming without worrying to find new customers.

CJ CheilJedang's strategy to commercialize red chili farming did not just end at cultivation level. In 2017, CJ CheilJedang completed red chili powder processing plant in the region. The plant processed not just dried red chili pepper which is mainly used for Korean food manufacturing but also red chili peppers for export.

With secured markets, local people of Tam Ngan 2 Village came one step closer to achieve economic security with red chili cultivation. This is a win-win growth both for CJ CheilJedang and local farmers in that CJ CheilJedang can acquire quality red chili pepper for their food production with cheaper labor cost. For local people in Tam Ngan 2 village, they can maintain economic security and nurture their farming technology until they can handle their livings by themselves. In addition to red chili pepper, CJ is investing huge sum of money in Vietnam for R&D of rice and corns. These crops once were main crops that were failing in the region. CJ CheilJedang was also trying to provide other options for local people who still wanted to farm corns and rice instead of red chili in Tam Ngan 2 village.

2-2-3. Water Provision

The first problem CJ CheilJedang had to take into account when they entered Vietnam was water issue. This is why CJ CheilJedang brought in K-Water, Korea's

national water institute which could help improve irrigation system needed for farming and securing clean water. Through consultation with K-Water, CJ CheilJedang decided to extend already existing waterpipe by 300 meters and connected water pipes all around the village so that water could reach to barren and non-arable lands. This increased the cultivating area per individual and obviously to more yield of red chili peppers.

CJ CheilJedang's introduction of water to Tam Ngan 2 village was not just for business purposes. The company connected water pipes to public institutions including schools, health centers and village hall. With clean water pipes all around the village, CJ CheilJedang installed new toilets and water fountains at public facilities. This gave rise to improvement on sanitation and reduction in water-related diseases in the region. Bringing in clean water and irrigation system had resulted in improved health condition, which could also be a auspicious news for village's productivity.

2-2-4. Education

As it is often the case with region suffering from poverty, people tend to have low morale and low passion for learning because they are living hand to mouth and usually worry about if they would have something to eat next morning. People tend to care more about living than learning.

CJ CheilJedang notified this problem and turned their eyes to young people. The corporate thought it is important to educate people from early stage to become

passionate about what they are going to do. Education hereby does not mean a mere farming-related education. It is about giving hopes and dreams to people. CJ CheilJedang then improved kindergarten and elementary school facilities. It paved new playgrounds, brought in electricity, installed new drinking water fountains. Some of CheilJedang's employees even ran a campaign to donate uniforms to school and this attracted more children to schools. Coupled with donation, improved facilities improved attendance rate significantly because there were children who wanted to come to school to play in the playground, do intriguing activities that are now possible with the presence of electricity.

To make the children more lively and experience different culture and stay healthy, CJ CheilJedang partnered with many university volunteer groups. Students from Yeungnam and Sejong University came to the town annually. Their job was to assist farmers to concentrate on harvesting while they would do recreational activities with children, paint walls in the village, and do medical check-ups for people. Local parents could save time to take care of their children while children interact with people from other countries and experience new culture.

For older people, CJ CheilJedang partnered with KOICA and introduced Saemaul movement to local village organizations. According to Jae-Woon Kim, CJ CheilJedang's CSR director, the company held classes every night for one hour to teach them Saemaul spirit as well as build mutual trust (Jo et al. 2018). This session proved to be very effective. At the time, the Vietnamese government was trying to initiate new rural development project and engage all residents in rural area into this movement.

However, due to low morale and motivation, even the residents in Tam Ngan 2 village was not willing to participate. But with actual interaction and materialistic incentives provided by CJ CheilJedang, older people began to be more proactive towards cultivation activity.

2-2-5. Agricultural machinery bank and micro-credit system

It cannot be said that loans for agricultural machinery did not exist in Vietnam. However, the amount of loan affordable for local people were too small for them to buy machine, seeds, livestock necessary for farming. The amount was approximately \$250 to \$300 and people had to pay their debt within 5 years at most.

Seeing that farmers lack finances for farming, CJ CheilJedang established an agricultural machinery bank. The purpose of this establishment was not just renting out and sharing necessary tools for farming but to increase productivity which could benefit both the farmers and the company.

Micro-credit system was used to improve people's daily lives. CJ CheilJedang began installing new toilets and renovating old houses. The company also initiated village community development funds that could benefit all residents in Tam Ngan 2 village.

2-3. Evaluation

Table 3 shows the performance data of CJ-KOICA CSV project in Vietnam.

	Before The Project	After The project	Note
Chili Pepper Farms	-	33 farms	2 first-year farms, 21 second-year farms, 33 third-year farms.
Chili Pepper Cultivation Area	-	12.5Ha	0.6Ha for first-year, 4.1Ha for second-year, 12.5Ha for third-year
Annual Income of Chili Pepper Farms	12 milion Vietnam Dong	34.1 milion Vietnam Dong	
Cultivable area	147Ha	202Ha	Effect of expansion of irrigation ditch (except electrical leading-in-effect)
Water Supply Households	44 households	225 households	
Usage rate of Water Supply	19.6%	100%	Currently the supply rate is under 100% due to the increase in new households
New Job (regular / daily)	-	68	Total of 2,317 as cumulative number of people

Source: Project Closure Report of the "Project for Developing Agricultural Value Chain in Ninh Thuan, Vietnam (2017.9) provided by CJ Corporation

[Table 3] Performance Data of CJ-KOICA CSV Project in Vietnam

CJ CheilJedang's CSV activities in Tam Ngan 2 village is an ongoing story. They have successfully led local people to quit failing crops and persuaded them to farm chili peppers and the cultivation has become huge in just three years. The data reveals auspicious expectation on Tam Ngan 2 village becoming a self-sufficient village. Although chili pepper farms were not so popular between local people due to distrust in the first year, the number skyrocketed in the second and third year. According to Jae-Woon Kim of CJ CheilJedang CSR director, there are over 40 farms in Tam Ngan 2 village as of 2018. The cultivation area increased as a result of increase in the number of chili pepper farms and people's annual income almost tripled. According to a CSV case lecture by Jae-Woon Kim, individual income in Tam Ngan 2 village is five times larger than the initial stage of CSV project as of 2018. Thanks to CJ CheilJedang's effort all residents have water supply and some new jobs were created.

For the local people of Tam Ngan 2 village in Vietnam, CJ CheilJedang's CSV project is a gift. In this section, the study intends to assess CJ CheilJedang's CSV activities at firm level using Figure 6 which is Moon et al's 3+1 model; redefining productivity in the value chain, enabling local or international cluster development, redefining comprehensive targets, and defining core competence.

2-3-1. Redefining Productivity in the Value Chain

The model used to assess this field is equivalent to Figure 10, Porter's

value chain model. Starting with the primary activities, CJ CheilJedang successfully solved their dilemma in inbound logistics. Their concern about securing quality red chili pepper outside Korea and China is being solved in Vietnam and the region is still developing, leaving more potential for expansion. Thanks to the success in Tam Ngan 2 village's CSV project, CJ CheilJedang can now obtain good quality chili pepper grown and harvested by their own seeds. This would be different from chili peppers imported from China since the seeds were studied and distributed by the company itself.

From the perspective of operation, CJ CheilJedang can look forward to enhance operational efficiency as more and more local people get job training and start engaging in making value-added products. Establishment of red chili pepper processing plant in 2017 will be a start to make the operation more efficient. If raw produces in Vietnam could be processed within the region especially within the industrial cluster, CJ Cheiljedang will see extreme efficiency of their food manufacture that use chili pepper as ingredients.

Marketings and Sales is the sector in value chain that will surely see enhanced productivity. CJ CheilJedang had tried to commercialize chili pepper trade to other regions in Vietnam and are localizing Korean food such as kimchi, rice cakes or noodles into Vietnam. As CJ CheilJedang had opened a new market

while helping local farmers in Tam Ngan 2 village, they will have relatively less difficulty in promoting and selling their products. Moreover, CJ CheilJedang had shown their commitment toward enhancing local people's lives and environment. This will surely help company's reputation in the local market. Some evidence already exist as CJ CheilJedang's dumpling is mesmerizing Vietnamese people recently.

For support activities, firm infrastructure may turn into more global. So to speak, the firm will have a more global mindset towards their business. This is not visible nor can be turned into tangible profits in the short term. However, as a food manufacturing and agriculture company which continuously needs to seek new venue for farming and manufacturing, having a global mindset will be of great help.

Technology Development in CJ CheilJedang is evident. R&D in different climate and soil will accrue much data that would help the corporate have the best crops and seeds and manufacture products with those produces. Moreover, investment in localization of their manufactured food in Vietnam will enhance productivity when CJ CheilJedang seeks to expand their market to South East Asian countries who share similar food culture with Vietnam.

Enhanced productivity in procurement can be achieved when CJ

CheilJedang can do everything in Vietnam- cultivate crops, process and manufacture those crops into food. This will cut cost of procurement when CJ CheilJedang intends to export their products to regions far from Korea but adjacent to Vietnam.

With these analysis, the study assessed that based on Moon et al's 3+1 model, CJ CheilJedang's ability to redefine productivity in value chain is medium going towards high. Many parts of the value chain is in the process of amelioration and will soon see improved productivity as a result of CJ CheilJedang's CSV activities in Vietnam in the near future. Productivity in the value chain will still have room for being more efficient when CJ CheilJedang aggressively enters the South East Asian markets.

2-3-2. Enabling Local or International Cluster Development

CJ CheilJedang's CSV activities in Vietnam is surely contributing to company's international cluster development. However, only five years have passed since CJ CheilJedang started their business in Vietnam and even after factoring in creation of a number of chili pepper farms in the region along with processing plants, it is difficult to say that complete form of international cluster development is achieved in Ninh Tuanh Tam Ngan 2 village.

Due to the fact that the project is not so mature enough and size of the cluster is relatively small, the study assessed that CJ CheilJedang's level of international cluster development as low. However, the future of international cluster development in Vietnam for CJ CheilJedang is bright and this is just a matter of time that the company will achieve sizable and competent international cluster.

2-3-3. Redefining Comprehensive Targets

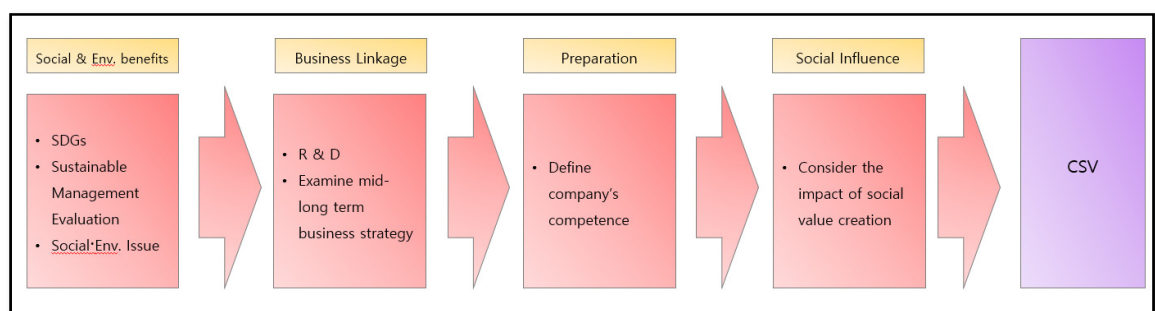
CJ CheilJedang's establishment of agricultural machinery bank is the best activity to represent redefining comprehensive targets. The corporate did not just see local residents who would cut the cost of production but as a source which could bring a win-win situation to both residents and the company. CJ CheilJedang discovered local people's needs swiftly and responded immediately with agricultural machinery bank that could provide necessary tools for people.

Moreover, KOICA's involvement was also crucial in CJ CheilJedang's success. Tam Ngan 2 village residents were aware that the government was trying to develop rural areas and draw in people including them. However, they did not feel the need to participate and had low morale because all they cared about was escaping from hunger and poverty. They brought in Saemaul movement into rural areas and encouraged people to live a better life. CheilJedang knew exactly what local people needed economically and psychologically.

Based on these analyses the study assessed CJ CheilJedang had achieved high level of redefining comprehensive targets.

2-3-4. Defining Core Competence

To see CJ CheilJedang's ability to define its core competence, its process to CSV activities is shown in Figure 10 below.



Source: CJ (2017)

[Figure 10] How CJ CheilJedang deduces CSV Activities

As Figure 10 shows, CJ CheilJedang has a solid picture on how they should implement CSV activities. First, they spot ongoing SDGs or social-environmental issues. Among those issues, CJ CheilJedang tries to link what is relevant to its business. With regards to those issues in question, the company carries out R&D and examine

mid-long term business strategy whether this will be profitable for the company. After enough research is done, it starts to prepare for the new business by defining what it can do best and wields social influence through CSV activities.

In case of Vietnam, CJ CheilJedang focused lot of issues from SDGs such as hunger, rural development and others. Then as a food manufacturing and agricultural corporate, CJ CheilJedang began to turn to its advanced R&D in farming and cultivating. Using those leverages, the company found people in Tam Ngan 2 village in Vietnam and cooperated with them through CSV activities. Judging from this, the study found that CJ CheilJedang has an outstanding capacity in defining its core competence assessed its defining-competence ability as high.

V. Conclusion

The study first introduced concepts of CSR and CSV. Then, it demonstrated how CSV is different from CSR and also rebutted some criticisms on CSV- mainly the straw man criticism, and went further to introduce the extended model- 3+1. In this model, the existing three concepts of CSV was slightly modified and developed, and defining corporate's core competence was added and was described using Porter's diamond model.

Proposing a way for developing countries to invite corporates for rural development, this study looked into the importance of primary industries such as agriculture and husbandry. After studying that these industries are crucial for developing countries to start economic development, current impact of CSV activities in developing countries were studied through existing case studies.

For Nestlé, its CSV activities started early without actually realizing it was. Its business in Moga was not just an attempt for the company's own expansion and survival, but also an attempt to transform the miserable life of rural people. Through five decades of cooperation, the village now has literacy rate and economic prosperity unseen in its history. For Nestlé, the company now has concentrated international production bases throughout the whole country with stable and large local farms in India. Also, it has succeeded in attracting huge local population to their products as a result.

For CJ CheilJedang, red chili pepper farms in Tam Ngan 2 village proved to

work so far. More and more people are engaging in chili pepper farms and with the produces, localized products are being made and sold across the country. Moreover, chili pepper processing plant was installed recently in the region, encouraging people not just to farm the raw materials but also make value-added products using machines and equipment. However, since its CSV activities has just passed its infant stage, much needs to be seen for further development of the area and attracting more local customers for the company.

Based on the case studies of two corporates, other food manufacturers or agriculture company wishing to expand their business or production base to developing countries may refer to these CSV activities, benchmark what needs to be, and modify according to the firm's current situation or local condition. For the government, encouraging firms to exercise CSV in their rural area may be a start to enhance economic development, through technology transfers, job creation and export increase.

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국문초록

1차산업에서의 공유가치 창출

– 기업의 공유가치 창출 분석을 통해 –

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포터와 크레이머가 CSV를 소개한 직후 다수의 회사들은 증가하는 사회적 책임에 대한 압력과 이에 대한 대응으로 CSV를 그들의 사업 전략에 포함시켰다. 이러한 사회적 분위기에 편승하여 본 연구는 먼저 현재의 CSV를 가능케한 CSR을 먼저 살펴본 후 CSV의 개념을 소개하고 이에 대한 비판에 대해 반박할 것이다. 더 나아가서 CSV와 CSR의 차이점을 살펴본 후에는 개도국 내에 1차 산업의 중요성에 대해 역설한 후 개도국과 대기업들의 CSV를 통한 협력을 제시할 것이다. 이는 기존에 이미 CSV를 실천하고 있는 기업들을 선정하여 각 기업의 사례분석을 실시하여진행될 것이다. 또한 각 기업의 CSV는 Moon et al. (2011)이 제시한 3+1 모델에 비추어 평가될 것이다.

키워드: CSV, 공유가치 창출, 국제개발, 국제경영, 제일제당, 네슬레, 1차산업, 농업, 축산업

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